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ASIA PAC G3 (EX JAP) DCM
BOOKRUNNERS: 1/1/2013 TO 7/2/2013

	Managing bank or group	No. of issues	Total US$(m)	Share (%)
1	HSBC Holdings PLC	30	3,857.4	11.4
2	Citigroup	21	3,046.0	9.0
3	BofA Merrill Lynch	17	2,916.3	8.6
4	UBS	24	2,757.1	8.2
5	Standard Chartered PLC	17	2,662.1	7.9
	Total	74	33,840.1	

Source: Thomson Reuters (SDC code: AR1)

ASIAN CURRENCIES DCM
BOOKRUNNERS: 1/1/2013 TO 7/2/2013

	Managing bank or group	No. of issues	Total US$(m)	Share (%)
1	HSBC Holdings PLC	53	2,574.3	10.8
2	Standard Chartered PLC	38	2,000.0	8.4
3	Malayan Banking Bhd	8	1,874.0	7.8
4	Korea Investment Holdings	6	1,031.6	4.3
5	Axis Bank Ltd	5	806.5	3.4
	Total	228	23,918.1	

Source: Thomson Reuters (SDC code: AS1)

HONG KONG DCM
BOOKRUNNERS: 1/1/2013 TO 7/2/2013

	Managing bank or group	No. of issues	Total HK$(m)	Share (%)
1	HSBC Holdings PLC	25	6,080.0	60.4
2	Standard Chartered PLC	7	2,241.5	22.3
3	Agricultural Bank of China	1	333.3	3.3
=3	Societe Generale	1	333.3	3.3
=3	Indl & Comm Bank China	1	333.3	3.3
	Total	39	10,069.5	

Source: Thomson Reuters (SDC code: AS5a)

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The Lunar New Year worked as a gong for Asian credit markets as it stopped the pounding being laid on investors amid a spike in Treasury yields and a sudden bout of supply indigestion. As activity starts in earnest on Tuesday, following President's day in the US today, investors and bankers will be eagerly watching the secondary market action and what will happen to the first bond deals to be out.

"People will watch to see if the good tone [of the first three weeks of the year] comes back," said one banker in Hong Kong.

Issuers are hopeful that it will. A few deals are already in the pipeline, such as CHINA STATE CONSTRUCTION and KRUNG THAI BANK, which were roadshowed just before the long holiday in China but did not get done. On top of that, there are three high-yield deals being marketed as well. But there is plenty more on the way; many more are in the queue. "Companies still have a lot of money to raise," said the banker.

The problem, however, will be finding the sweet spot with the buyside, and that is why the deals coming out this week will be so important. As investors return to their desks after two weeks of virtually no activity, they are finding the landscape more challenging.

"Right now, it's a tough call [predicting the direction of the market]," said a hedge fund manager in Singapore.

Indeed, the signals are crossed. Both stocks and Treasuries are near resistance levels which can lead to unknown territory if broken through – even though a look at charts suggests they should all reverse course.

The Dow Jones Industrial Average, for one, has tested the 14,000 level four times this month, having finished above the key number twice. It retraced every time, which usually would point at a double-top, something that chart-watchers know as a clear sign of trend reversal. However, if it manages to rally beyond the 14,000 spot, it could quickly rise to 14,200 – above its all time high of 14,164 – where the two standard deviation Bollinger Bands for the index's 55-day moving average is.

Simultaneously, the yield on the 10-year US Treasury has closed above the key 2.05% yield twice this month as well, always making its way back down after breaching that level. Much like the Dow Jones, the next stop for the credit benchmark would be 2.09% and 2.2% once the former is breached. If that move materialises – added to the 30bp that the yield has already risen since the start of the year – the resulting price drop in investment-grade bonds could spook investors.

"Private banking accounts look at total return, so a drop in bonds could affect their sentiment," said the Hong Kong banker.

Analysts have been telling investors that investment grade is expected to outperform high-yield as spreads are expected to tighten. While that promise works for long-only funds, it does less good for total return investors, who will feel the pinch on their mark-to-market valuation if bond prices drop any further, even if the premium over Treasuries is compressed.

The scenario at which charts are pointing, though, is the opposite, with both stocks and Treasuries retracing. While that would be good for bond prices, it would probably be accompanied by a spike in volatility. In that case, the toll would be paid by high-yield bonds, which tend to move in tandem with stock markets and which dominated the new issue market so far this year.

There is no clear marker for volatility to hit, apart from the potential US budget sequester in March. But the fact that all these benchmarks are teetering near recent highs has investors second-guessing a further rally. Amid such an uncertain backdrop, Asian investors are wary of taking any positions. "It has been eerily quiet," said the hedge fund manager.

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That is why the first deal that gets done in the region will carry huge responsibility. A successful transaction could jumpstart activity again and will provide a clear read of what structures and terms investors are favouring. The question now is who will be the first one to step forth.

Asia G3

Adding to the two companies that announced roadshows last week, two more companies joined the queue officially on Monday. China-focused Citic Telecom was probably the one that drew most attention, though. The company is unrated so far, and viewed as a high-yield name by the market.

Hong Kong listed CITIC TELECOM is turning to the US dollar Reg S bond market to raise funds to support a major acquisition of a Macau telecoms company. It mandated *Deutsche Bank*, *Standard Chartered Bank* and *UBS* as joint bookrunners and joint lead managers for the deal, which will be done subject to market conditions and investor interest.

Proceeds will be initially deposited into an escrow account and be used toward the purchase of a 79% interest in Companhia de Telecomunicacoes de Macau (CTM) that Citic Telecom and Citic Pacific will jointly undertake. The proposed bonds will be issued by Citic Telecom International Holdings and will be guaranteed by the parent.

The fact that yet another high-yielder announced a roadshow captured the attention of investors and bankers as they remain unsure of what kinds of transactions will do better in the current market backdrop. The number of junk-rated bonds in the pipeline suggests bankers expect a risk rally.

Last week, property developer CIFI HOLDINGS (B2/B/B+) had already started marketing a potential Reg S/144a bond. Plus, Singapore-based chipmaker STATS CHIPPAC (Ba1) is roadshowing a US$600m liability management.

For all the high-yield deals lining up, there is also some investment-grade supply coming up. MITSUBISHI UFJ LEASE AND FINANCE (A3/A) met investors in Singapore ahead of a dollar bond as it tries to take advantage of a favourable basis swap.

And BANK OF INDIA will meet investors in Asia and Europe on February 21–22, sources close to the deal said, as it prepares a transaction which is expected to be launched after the Indian budget announcement on February 28. The lender has picked *Barclays Capital*, *Citigroup*, *HSBC*, *Deutsche Bank*, *JP Morgan* and *Bank of America Merrill Lynch* to arrange the investor meetings. The firm completed the US leg of investor meetings in early February.

Secondary

Asian credit markets were flat amid a firm tone in secondary trade today as market players, drifting back to work after a week-long holiday in Hong Kong and China, held off active trading. A holiday in the US also provided another reason for the thin liquidity.

The iTraxx IG remained broadly unchanged at 110/112bp, a range that has not moved since the Singapore markets opened last Wednesday. Secondary bonds mirrored the sluggish credit spreads. The small rally in perpetual continued to help shore up the perpetual paper from Petron and Reliance, while the Philippines oil refiner Petron saw bids of 103.25–103.75 for its paper, up from 103 last Friday and from 100 par reoffer over two weeks ago. Bids for the Reliance perps remained healthy at 98.125–98.875, compared with 98.5 last Thursday. But Cheung Kong's perps stayed under water at 93.000–93.625, although they were slightly improved from 92 last Thursday.

A credit analyst said although new issues had rallied strongly, the outperformers and underperformers remained unchanged. High-grade paper like Yuexiu 2023s, Champion 2023s, Cosco Pacific 2023s and the Korean papers are still in the red, while South-East Asian credits are still standout performers on their rarity value.

In the high-yield Chinese property space, Greentown 2017s were flourishing at bids of 102.5 versus issue price at par, while Guangzhou R&F's newest 2020s were down at 99.5. China Railway 2023s were quoted at 172bp over US Treasuries, with the analyst saying the bonds were fully valued. Hainan Airlines 2020s, which were the last Asian bonds to price before the Lunar New Year break, were still holding steady at around 235bp over US Treasuries, just inside the 238bp issue price.

In the Indian corporate space, solid third-quarter earnings provided a fillip to the sector. Indian Oil Corp's 5.625% 2021s were 5bp tighter at 205/195bp, PowerGrid 3.875% 2023s were at 210/200bp and Bharat Petroleum 4.625% 2022s at 230/220bp.

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